

Wisconsin County Treasurers' Association

Date: June 2, 2009

To: Chairperson Berceau and Members of the Urban & Local Affairs Committee

From: Vicki Brown, Rock County Treasurer & WCTA Legislative Committee Chair

Subject: Support of AB 159, the Sharing of Omitted Taxes and the Charge Back Of Personal Property Taxes

At the request of the county treasurers, this bill was introduced to amend what county treasurers feel is a flaw in the current handling of omitted taxes, and also a one-sided way of treating personal property charge backs.

Under current law, when a taxation district error overcharges a property tax payer, all taxing jurisdictions, such as the local school district, the local technical college and the county, are asked to give the money back. Also under current law, when a taxation district error omits real or personal property from assessment, that assessment may be added to the assessment roll over the next two years. However, the taxation district keeps all omitted taxes. In other words, when a municipality undercharges a taxpayer, such as not including the assessment of a new home, and then corrects the error, the taxpayer will pay the same total amount of property taxes but the local municipality keeps all of the funds. The other taxing jurisdictions, such as the local school district, technical college and county, do not receive any portion of omitted taxes.

According to the Department of Revenue, the statewide total of omitted taxes for 2005-2007 was approximately \$4.7 million. Again, the county, state, school districts and technical colleges do not receive any of these taxes. The municipalities, as allowed under current law, kept all \$4.7 million. On the other hand, during this same time period the amount of rescinded refunded taxes, where the taxpayers were over charged and then had to be paid back by all of the taxing jurisdictions was approximately \$14 million.

This bill, with amendments, allows for omitted taxes that exceed \$5,000 in a municipality to be shared with all taxing jurisdictions, just as rescinded and refunded taxes are shared with all taxing jurisdictions.

Under current law, municipalities must pay the other taxing jurisdictions in full for all personal property taxes, such as machinery and equipment used in the course of business, whether the personal property taxes are paid or not. Current law allows municipalities to recover such taxes by taking civil court action. If the personal property taxes remain unpaid, the following year in February or March, the municipality may charge back to each taxing jurisdiction their proportionate share of the unpaid personal property taxes. Taxing jurisdictions have 30 days to pay the municipality upon receipt of a charge back notice.

This bill would allow the school districts, technical colleges, counties and state to pay the municipalities within 30 days at the end of the charge back period, specifically no later than May 1, to eliminate a two month long payment processing period for taxing jurisdictions.

This bill would also only allow municipalities to charge back the personal property taxes of a business entity that has ceased operations, or if the personal property has been removed from the assessment roll. Municipalities issue permits and licenses and as such have some element of control over ongoing local businesses.

In 2007 personal property charge backs in Rock County totaled nearly \$68,000. In 2008 personal property charge backs in Rock County totaled just over \$80,000. This year the total has increased to almost \$107,000. Included were such on-going business entities as an accounting service, a limousine service, gas stations, a day care, a jewelry store, a video store, several local attorneys, even a check cashing store. Again, this bill does not eliminate a municipality's ability to charge back uncollected personal property taxes. It restricts a municipality in that they cannot charge back personal property taxes of an ongoing business entity.

The county treasurers are asking for your support to pass this bill, with the amendments as agreed to with the Towns Association and the League of Municipalities, out of this committee and out of the Assembly.

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RECIMON

Beloit Memorial ol listing of gradu- appeared in the dition of the Beloit s, Torri Blakley's was misspelled. spelling was pro- 3 Daily News.

County unpaid personal property taxes total \$80,576

Some businesses avoid paying taxes, but the City of Beloit works hard to obtain money

By Cheryl Scott
Daily News staff writer

There are some stores, gas stations and other businesses in Rock County that have not paid their personal property taxes for 2006, but they are still allowed to operate, said Rock County Treasurer Vicki Brown.

Taxing jurisdictions, such as the county, state, schools and technical college must cover the delinquent personal property taxes that businesses have failed to pay, Brown said.

Brown has to include an additional \$21,576 in the annual county budget for Rock County's share of the \$80,576 in unpaid 2006 personal property taxes.

"The school districts get hurt worse," Brown said. "The county typically owes 25 percent of the unpaid personal property taxes, but the school districts must pay 40

percent," she said.

Rock County's unpaid 2006 personal property taxes payable in 2007 total \$80,576, which is higher than in previous years. Last year, the amount of unpaid personal property taxes was \$68,000, and the year before, \$63,600 was unpaid, Brown said.

"The point is there are ongoing businesses that are still in business, but haven't paid their personal property taxes," Brown said.

Personal property includes machinery, equipment, furniture, fixtures and inventory used in the course of operating a business. Real estate taxes include land and improvements, Brown said.

Out of Rock County's \$215 million in tax bills, about \$209 million is real estate taxes, while \$6 million is in personal property taxes, Brown said.

Owing \$80,000 out of \$6 million isn't that bad, Brown

said, but she wonders why businesses are allowed to stay open without paying their personal property taxes.

With real estate taxes, the county can foreclose on the property if a business does not pay, but collecting delinquent personal property taxes is up to the municipalities, Brown said.

Brown said she gives the City of Beloit "a pat on the back" for its ordinance that denies licenses and permits to any businesses with unpaid personal property tax bills.

The amount of unpaid personal property taxes in Beloit has gone down since the city passed the ordinance about 10 years ago, said City of Beloit Assistant City Manager Shephen Gregg and Brown.

Gregg said the city passed the ordinance because, "We felt that it was important that businesses and landlords were current on what they owed."

The amount of unpaid personal property taxes varies, but important times to catch businesses that haven't paid

are usually the same - in June and in February. At the end of June, any restaurants and bars that want liquor licenses must have paid their personal property taxes or the liquor license is not renewed, Gregg said.

In February, landlords must pay taxes before they obtain rental permits. Without the permits, landlords could get a citation, Gregg said.

The City of Beloit is the second largest city in the county, but the personal property charge backs are less than those for the Town of Beloit, Brown said.

In 2006, the unpaid personal property taxes in the City of Beloit totaled \$4,657.55, said City Treasurer Lillian Morrow. The amount had steadily declined since 2000, when the personal property charge backs were \$47,300.43.

The 2007 amount will not be known until February 2008, since businesses and landlords still have time to pay their taxes when they obtain permits, Morrow said.

Municipalities that aren't as good at collecting personal property taxes include the City of Janesville, whose businesses owe more than half of the \$80,576 in delinquent personal property taxes, Brown said.

Municipalities without an ordinance on personal property taxes have six years to recover delinquent personal property taxes through civil action. If a municipality later collects unpaid taxes, the funds go back to the taxing jurisdictions, which include the county, state, schools and technical college.

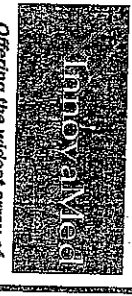
The City of Beloit also sends out collection letters to individuals who don't need permits and licenses. After a while, the city hands matters over to a collection agency in Madison called HE Stark, Morrow said.

Brown said a listing of the businesses in Rock County that failed to pay personal property taxes is posted on the bulletin board in the county treasurer's office.

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MEMORANDUM

TO: Honorable Members of the Assembly Committee on Urban and Local Affairs

FROM: David Callender, Legislative Associate *DC*

DATE: June 2, 2009

SUBJECT: Support for Assembly Bill 159

The Wisconsin Counties Association (WCA) supports Assembly Bill 159 (AB 159). WCA has worked closely with the Wisconsin County Treasurers' Association, which has taken the lead on this legislation.

WCA believes that the AB 159 will create a more equitable system for sharing omitted taxes among all taxing jurisdictions instead of having the taxes go solely to municipalities. This would bring the practice of charging back omitted taxes into line with current law for paying back over-assessments of property taxes.

WCA respectfully requests that the Committee approve AB 159 as amended by the author.

Please contact me if you need additional information.

Peloquin, Traci

From: Lynn Neeck [lynn.neeck@co.price.wi.us]
Sent: Monday, June 01, 2009 4:45 PM
To: Rep.Berceau; Rep.Van Akkeren; Rep.Ziegelbauer; Rep.Hintz; Rep.Parisi; Rep.LeMahieu; Rep.Gottlieb; Rep.Spanbauer
Subject: [Possible Spam] In Support of AB 159
Importance: Low

Dear Representatives of the Committee on Urban & Local Affairs,

I am aware that tomorrow, June 2, 2009, the Committee on Urban & Local Affairs will be holding a hearing on AB159 relating to the sharing of collected taxes on charge-back of refunded or rescinded taxes, omitted taxes and of personal property taxes with all taxing jurisdictions. I am unable to attend the hearing in person, but would like to share my position on this bill.

I am in support of AB 159. The changes proposed in this bill will create equality in the sharing of taxes amongst all taxing jurisdictions in the distribution of both collected and uncollected taxes.

Currently when omitted taxes are collected the municipality retains the whole tax amount. The amount collected for Omitted tax is not proportionately distributed to the school districts, technical colleges, state or counties, just as all taxing jurisdictions share in paying back their proportionate amount of rescinded or refunded taxes. This bill would require that a municipal clerk include on the list of rescinded or refunded taxes submitted to the DOR the amount of property taxes collected on property that was Omitted from the property tax roll in the previous 2 years and distribute a proportionate share of that amount to the taxing jurisdictions.

Also under current law municipalities must pay the other taxing jurisdictions in full for all personal property taxes regardless if the tax was paid or not. Current law does allow municipalities to recover the unpaid personal property taxes through civil court action. If the personal property taxes remain unpaid the following year, the municipality may charge back to each taxing jurisdiction (school districts, technical colleges, state, and county) their proportionate share of the unpaid personal property taxes. The taxing jurisdictions have 30 days in which to pay the municipality. This bill would allow the school districts, counties and technical schools to pay the municipalities within 30 days at the end of the charge back period, no later than May 1. This would eliminate a 2 month long payment processing for the taxing jurisdictions. AB 159 would also allow the municipalities to charge back personal property taxes of a business entity that has ceased operations or the personal property has been removed from the next assessment roll.

Thank you for your consideration of my position on AB 159.

Respectively yours,

Lynn Neeck, Price County Treasurer

Lynn Neeck
Price County Treasurer
126 Cherry St Room 105
Phillips, WI 54555
Phone: 715-339-2615
Fax: 715-339-3089
Website: <http://www.co.price.wi.us/government/CountyTreasurersOffice/Default.htm>

6/2/2009

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Rep. Gordon Hintz

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Rep. Richard Spanbauer

RE: June 2, 2009 Hearing on AB159

1. Under current law, if a municipality makes an error and over assesses or assesses a property that it should not have, all taxing jurisdictions must share in the loss (taxes that were levied against the increased assessed value). But, when a municipality makes an error and under assesses or does not assess a property it should have, the municipality creates an "omitted tax bill" and sends it to the owner. When paid, the municipality retains all the funds. This bill would require the municipality to share the gain with all taxing jurisdictions. If taxing jurisdictions are required to share in the loss, they should also be allowed to share in the gain.
2. Under current law, municipalities settle for all personal property taxes, whether collected or not. The municipality is then responsible for the collection of the unpaid personal property taxes. If the municipality is unable to collect, after one year, they may "charge back" to each taxing jurisdiction their share of the unpaid personal property taxes. While there may be some municipalities that really do try to collect from the businesses there are some that do not make an effort and continue to charge back the same owner/personal property taxes year after year even though the business continues to operate. In doing a search on the Wisconsin Circuit Court Access system I have not seen a case for the collection of unpaid personal property in Winnebago County in over five years. This bill would only permit the municipality to charge back personal property taxes of businesses that have ceased operations or would be removed from the next assessment roll. We believe this will encourage the municipalities to be more assertive in their collection efforts.

I thank you for your time and consideration of this bill. I will not be able to attend the hearing tomorrow.

Sincerely,



Mary E. Krueger
Winnebago County Treasurer



Fond du Lac County

Fond du Lac County Treasurer
(920) 929-3010 Fax (920) 929-3293

160 S. Macy Street
Fond du Lac WI 54935

June1, 2009

Representative Terese Berceau
Urban & Local Affairs Committee Chair
Room 208 North
State Capital
Madison, WI 53708

Dear Committee Chair Berceau and Members of the Urban & Local Affairs Committee:

As Fond du Lac County Treasurer, I am writing to you to ask for your support of AB159.

Under this bill:

1. A taxation district must share and distribute collected taxes for omitted property with the taxing jurisdictions that are part of the taxation district similar to jurisdictions sharing in paying for refunded or rescinded taxes.
2. Restricts the chargeback of delinquent personal property to that owed by an entity that has ceased operations or due on personal property that has been removed from the next assessment roll.
3. Changes the payment of chargebacks from within 30 days to no later than May 1.

Thank you for your consideration of this bill. If you have any questions, please feel free to contact me.

Sincerely yours,

Judeen V. Damm
Fond du Lac County Treasurer